



Agenda Item 6E

Illustrative Auditor's Report — AU-C 700 Proposed Report (Redlined from ISA 700 (Revised) Illustrative Report)

Independent Auditor's Report

Report on the Audit of the Financial Statements

Appropriate Addressee

Opinion

We have audited the accompanying financial statements of ABC Company (~~the Company~~), which comprise the ~~statement of financial position~~ balance sheet as at of December 31, 20X1, and the related ~~statements~~ of comprehensive-income, ~~statement~~ of changes in stockholders' equity, and ~~statement~~ of cash flows for the year then ended, and the related notes to the financial statements; ~~including a summary of significant accounting policies.~~

In our opinion, the ~~accompanying~~ financial statements referred to above present fairly, in all material respects, (~~or give a true and fair view of~~) the financial position of ~~the~~ ABC Company as at of December 31, 20X1, and (~~of~~) the results of its financial performance operations and its cash flows for the year then ended in accordance with ~~International Financial Reporting Standards (IFRSs)~~ accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with ~~International Standards on Auditing (ISAs)~~ auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of ~~the~~ ABC Company in accordance with the ~~International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)~~ AICPA Code of Professional Conduct together with the ethical requirements that are relevant to our audit of the financial statements in [~~jurisdiction~~] the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements ~~and the IESBA Code~~. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

~~Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.~~

~~[Description of each key audit matter in accordance with ISA 701~~ *Included only when KAM are communicated, whether voluntarily or required to do so.*

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ~~IFRSs~~ *accounting principles generally accepted in the United States of America*, and for such internal control as management determines is necessary to enable *this includes the design, implementation, and maintenance of internal control relevant to* the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, ~~disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so~~ *in accordance with the applicable financial reporting framework*.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not *absolute assurance and therefore is not* a guarantee that an audit conducted in accordance with *GAASISAs* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users ~~taken~~ *made* on the basis of these financial statements.

As part of an audit in accordance with *GAASISAs*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates ~~and related disclosures~~ made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions, considered in the aggregate, that ~~may cast significant~~ raise substantial doubt ~~on~~ about the Company's ability to continue as a going concern for a reasonable period of time. If we conclude that a ~~material uncertainty~~ substantial doubt about the Company's ability to continue as a going concern exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ~~Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.~~

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies and material weaknesses in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. [Included only when KAM are communicated, whether voluntarily or required to do so.]

Report on Other Legal and Regulatory Requirements

Auditor's Signature

Auditor Address

Date of the Auditor's Report